

Forum Series on the Role of Institutions in Promoting Economic Growth

Comments by Jonathan Alevy on Omar Azfar and Clifford Zinnes's
"Learning from Doing: A Methodology for Self-Evaluating Projects"

Forum 5: NIE-Based Toolkits for USAID Applications

Session 1

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The paper *'Learning from Doing: A Methodology for Self-Evaluating Projects'* outlines an approach to evaluating the outcomes of development projects that the authors call a Prospective Random Evaluation Procedure (PREP). At its core PREP makes use of randomized trials in a way that is similar to the clinical trials that have proven useful in medical science. This approach, they argue, overcomes many of the difficulties that exist with standard econometric techniques. Subject to caveats included in the text regarding implementation, about which more will be said below, the argument for the randomized treatments is convincing.

In addition to their concern with the accurate evaluation of projects, the authors propose a method of generating policy ideas that can be implemented along with PREP, delineating a process in which ideas move from theory to the experimental lab and finally to the field. This notion of "test-bedding" policy reforms in the experimental lab is sound, and has been applied in a variety of settings (Ledyard). The authors' implementation of a training program that examines how incentives affect teaching outcomes provides an example of this approach by testing multi-task principal-agent theory (Holmstrom and Milgrom). Unfortunately some of the potentially most interesting results, related to



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evidence of student accomplishment in multiple choice and essay settings are not fully investigated. Given the author's emphasis on the possibility of "teaching to the test" and the broader relevance for development practice of incentives eliciting misdirected effort, these results would have been more illuminating than the investigation of trainer's evaluations.

One criticism of the design of the field experimental is that the treatments implemented in the field could benefit by building more closely on those implemented in laboratory settings. For example incentive systems that have proven to be efficient in the lab used punishment and reward options ex-post, so there is evidence that these can outperform the simple incentives or flat reward structures investigated in the field experiment (Fehr and Falk).

Another, more minor, issue with the experimental design is that the elicitation of willingness to pay for the training programs is implemented in a way that has been found in other settings to produce biased results. By first asking the close-ended dichotomous choice question, "Would you pay X for the training course?" and then asking "What would you pay for the course?" the experimenters may "anchor" the answer to the second question on the original X value (Ariely et al.). The existence of anchoring in the data can be easily checked.

With regard to potential problems with implementation of PREP, it should be noted that this program is nested in a larger project whose aim is to understand how institutions enhance or inhibit development effectiveness, and also how incentives faced by development agencies may themselves affect development outcomes (Kremer). The interaction of institutions in these complex settings is an underlying theme of the paper



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that deserves further clarification. The key aspect of the problem elaborated in these discussions is that many different groups have an interest in the policy outcomes and some may have a direct impact on implementation. Thus the argument that the fairness inherent in a randomized process could overcome political opposition to PREP is not entirely convincing.

The discussion of implementation difficulties recognizes that the possible non-adoption of projects by local governments, or spillovers to control groups, can undermine PREP. As the authors acknowledge, these failures can be enlightening; they also suggest that some, such as the non-adoption problem, may be minimized through legislation. The issues raised by these implementation problems arise from the dispersed nature of authority. One suggestion for strengthening the study to address these issues more directly would be to implement a research program similar to that used in studying multi-tasking in agency theory to the issues raised by dispersed authority. This work would build most directly on the theory of multiple principals initiated by Bernheim and Whinston and extended by Dixit and others, and could plausibly follow the same path from theory to laboratory and then to the field. This work would simultaneously shed light on how allocation of authority affects cooperation and coordination, furthering the study of core issues related to decentralizing governance, including the implementation of rigorous evaluation methods such as PREP.

Reference List

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